

Message Text

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PAGE 01 SEOUL 06265 190804Z
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C O N F I D E N T I A L SEOUL 6265

E.O. 11652: GDS
TAGS: EFIN, BENC, XMB
SUBJECT: EXIMBANK POWER PROJECTS: SEOHAE, SAMCHONPO AND
NUCLEAR

REF: (A) SEOUL 6079; (B) SEOUL 5801

1. HYUNDAI INTERNATIONAL (HII) ON JULY 18 ENTERED INTO NEGOTIATIONS WITH KECO ON SEOHAE EQUIPMENT CONTRACT USING GENERAL ELECTRIC AND COMBUSTION ENGINEERING PRODUCTS AND TECHNOLOGY. WE UNDERSTAND THAT HII INFORMED ROKG THAT IT CAN PRODUCE 60 PERCENT OF THE EQUIPMENT DOMESTICALLY. GE REP AGREES AND STATES THAT ALTHOUGH HII WILL PROVIDE ONLY 35 PERCENT OF THE DELIVERED PARTS OF TURBINE GENERATORS, ITS PROPORTION ON THE BOILERS, ETC. WOULD BE MUCH HIGHER.

2. BIDS ON THE SAMCHONPO STEAM GENERATING SYSTEM (BOILER) WERE RECEIVED JUNE 30, 1978 FROM DAEWOO (BROWN BOVERI CORP AND B AND W OF GERMANY); MITSUBISHI, AND HII (WITH COMBUSTION ENGINEERING). EX POST FACTO APPLICATION OF THE 15 PERCENT DOMESTIC PREFERENCE WOULD ASSURE THAT ONLY DAEWOO AND HII BIDS WILL BE CONSIDERED. UNFORTUNATELY, FOSTER-WHEELER (WITH SAMSUNG) CHOSE NOT TO BID, BUT HAD IT DONE SO, ITS SPECIALIZATION IN COAL BOILER SYSTEMS WOULD HAVE MADE IT STRONGLY COMPETITIVE BECAUSE C.E. BOILERS ARE BASICALLY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SEOUL 06265 190804Z

SUPERIOR FOR OIL-FIRED SYSTEMS. (IT SHOULD BE NOTED THAT KECO/ROKG POLICY HAD BEEN NOT REPEAT NOT TO APPLY A 15 PERCENT DOMESTIC PREFERENCE TO POWER PROJECTS UNTIL ITS REVERSAL ON JULY 10, AFTER BIDS HAD BEEN RECEIVED.)

3. BIDDERS ON THE TURBINE GENERATOR PORTION OF SAMCHONPO ARE HYUNDAI HEAVY IND. (HHI) (WITH WESTINGHOUSE); ALSTHOM;

MAN; BBC; HITACHI; TOSHIBA AND HII (WITH GE). BECAUSE WE UNDERSTAND HHI TURBINE PRODUCTION WILL NOT BE AUTHORIZED BY ROKG FOR THE TIME BEING, WE ARE ASSUMING FOR WORKING PURPOSES THAT IF U.S. EXIMBANK REPEATS SEOHAE PACKAGE, AND 15 PERCENT PREFERENCE IS APPLIED TO SAMCHONPO, THE GE AND CE BIDS WITH HII WOULD BE COMPETITIVE AGAINST RENEWED DUMPING ATTEMPT BY HITACHI.

4. KECO MANAGEMENT HAS REPORTEDLY RECEIVED THE "RESIGNATION" OF KOH JOONG MYUNG, VICE PRESIDENT AND DIRECTOR FOR NUCLEAR POWER, WHO WASEY RYKRIIN APARTMENT SPECULATION SCANDAL. NO REPEAT NO KOREAN REPLACEMENT WITH COMPARABLE EXPERTISE AND EXPERIENCE EXISTS FOR MR. KOH, AN EXCELLENT ENGINEER AND ENGINEERING MANAGER FOR KORI-1 CONSTRUCTION.
GLEYSTEN

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